

August 4, 2016

FOR YOUR INFORMATION

TO: Mayor and Members of City Council
FROM: Harry Black, City Manager **HB**
COPIES TO: Department Directors
SUBJECT: Fiscal Impact of Cost of Living Adjustments

The purpose of this memorandum is to provide follow up information related to questions raised at the Budget and Finance Committee on August 1, 2016. Follow-up questions can be directed to Christopher Bigham, Budget Director, at extension 6271 or Reginald Zeno, Finance Director, at extension 5372.

1. Current Estimate of FY 2016 Ending General Fund Balance

The FY 2016 operating surplus is approximately \$11.9 million. This surplus is the result of excess revenue collections of \$ 7.7 million, expenditure savings of \$4.9 million and a net decrease of \$.7 million due to net transfers and cancelled encumbrances. The FY 2015 prior year net carryover was \$4.7 million therefore generating a total net General Fund balance of \$16.6 million (see Attachment 1).

The Administration will be requesting a reserve of 11% of General Fund revenues which require an allocation of \$11.1 million of the balance that includes \$4.7 million from the FY 2015 prior year carryover. This action will result in total cash reserves of \$42.9 million. The request is consistent with the City Council approved Stabilization Fund Policy the goal of which is to increase cash reserves up to two months of revenues or 16.67% over a five year period. Therefore, for the current fiscal year (i.e., 2017) the Administration would essentially seek to add another \$6.4 million in order to continue the progress toward the 16.67% target. City Council's approved Policy assumes cash reserve growth over the next 5 years (i.e., roughly 1% per year). Reserves are a major component of sound financial management evaluated by credit rating agencies and provide resources available for unforeseen emergencies and contingencies.

The remaining balance of \$5.5 million is tentatively planned to be used to fund the \$2.5 million outstanding Estate Tax repayment, fund the City Council approved \$1 million Bond Hill Stabilization Fund (Ordinance #175-2016) leaving a net balance of approximately \$2 million for new one-time FY 2017 allocations.

The Administration has had exploratory staff discussions regarding potential recommendations on how to spend the anticipated \$2 million. Those potential uses would continue to address the strategic priorities of our City. The Safer Streets initiative will be the Administration's primary focus and will identify one-time uses to fight the heroin epidemic, focus on PIVOT strategies and

increase other operations related to community outreach and safety measures for our police and police district buildings. The Thriving and Healthy Neighborhood initiative will include additional youth jobs and extended hours at recreation centers. To continue Fiscal Sustainability, the Estate Tax repayment will be made in full and reserve transfers are recommended based on the City Council approved Fund Stabilization Policy as previously stated.

The final FY 2016 closeout report will be completed and presented to City Council in mid September, with recommendations.

2. Historical Comparison of Reserves FY 2009 to Current

The total cash reserves are reflected in Attachment 2. Reserves have consistently increased over the past few fiscal years consistent with the Stabilization Fund Policy.

3. Annualized Impact of 1.0% COLA for Labor Units

The annualized impact of a 1.0% COLA for each of the five labor unions (AFSCME, CODE, Building Trades, IAFF, and FOP) totals \$3.7 million, with \$2.4 million in the General Fund and \$1.3 million in the various restricted funds. Attachment 3 provides the detailed amount for a 1.0% COLA by fund and labor unit, including non-represented employees.

4. Fiscal Impact of 5.0%/5.0%/4.0% COLA for Employees

During the August 1, 2016, Budget and Finance Committee, City Council discussed a proposal to provide represented employees in various labor unions with a 5.0% COLA effective December 1, 2016, a 5.0% COLA effective July 1, 2017, and a 4.0% COLA effective July 1, 2018. If non-represented employees were provided the same COLAs, the fiscal impact by fiscal year would total \$1.1 million, \$2.6 million and \$2.2 million respectively. Attachment 4 provides a summary by employee unit of the additional cost of the proposed 5.0%/5.0%/4.0% COLAs in fiscal years 2017, 2018 and 2019.

cc: Christopher A. Bigham, Budget Director
Reginald Zeno, Finance Director

Attachment 1: FY 2016 Summary
Attachment 2: Historical Reserves FY 2009 to Present
Attachment 3: Impact of 1% Increase by Labor Units
Attachment 4: Summary of 5/5/4 Plan by Employee Unit

DRAFT FOR DISCUSSION PURPOSES ONLY

General Fund Resources, Expenditures and Carryove FY2016

Total Revenue	\$ 389,388,329.38
Transfer In - All Star Game	400,000.00
Cancelled pr yr encumbrances	<u>1,940,610.00</u>
Total Sources	391,728,939.38

Total expense and encumbered after 2015 year end adj.	375,706,111.89
Transfers Out after 2015 year end adjustments	<u>4,111,847.00</u>
Total Uses	379,817,958.89

Operating Surplus	11,910,980.49
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Prior Year carryover after Stabilization policy transfers and one time uses from FY 2015 Closeout:	<u>4,693,947.00</u>
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Ending Fund Carryover Balance	16,604,927.49
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Less Reserve Policy adjustments:	
1.5% required carryover (includes \$4.7m prior year carryover)	5,840,824.94
1% increase WCR	3,893,883.29
Emergency Reserve to .66%	127,962.97
Weather & Other Reserves to 1.255%	<u>1,217,354.12</u>
Total Reserve Policy adjustments	11,080,025.32

Available	5,524,902.17
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Less Other Adjustments:	
Ord. 175-2016 Transfer to Fund 358 Bond Hill Stabilization and Revitalization Operations Fund	1,000,000.00
Balance of Estate Tax repayment	<u>2,553,979.32</u>

Net Available	<u><u>\$ 1,970,922.85</u></u>
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Reserves after application of policy

	FY2016	FY2015
1.5% required carryover	5,840,824.94	4,693,947.00
Working Capital Reserve	29,583,294.55	25,463,817.98
Emergency Reserve 0.66%	2,569,962.97	2,442,000.00
GF Contingencies Reserve 1.25%	<u>4,867,354.12</u>	<u>4,600,000.00</u>
	\$ 42,861,436.59	\$ 37,199,764.98

Reserves as % of General Fund Revenue	11.01%	10.05%
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General Fund revenues	\$ 389,388,329.38	\$ 370,065,449.49
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Attachment 2

General Fund Reserves

	CYE 2009	CYE 2010	CYE 2011	CYE 2012	FYE 2013 (6 months)	FYE 2014	FYE 2015	Projected FYE 2016
Net General Fund Carryover	\$1,999,953	\$2,718,026	\$8,476,414	\$11,401,281	\$4,496,557	\$4,758,751	\$4,693,947	\$5,840,825
Emergency Reserve	\$2,415,000	\$2,415,000	\$2,415,000	\$2,415,000	\$2,415,000	\$2,415,000	\$2,442,000	\$2,569,963
GF Contingency Reserve						\$4,258,000	\$4,600,000	\$4,867,354
Working Capital Reserve	\$26,029,797	\$19,640,158	\$20,021,611	\$21,249,720	\$21,348,302	\$21,495,254	\$25,463,818	\$29,583,295
Combined Reserves	\$30,444,750	\$24,773,184	\$30,913,024	\$35,066,001	\$28,259,859	\$32,927,005	\$37,199,765	\$42,861,437

**Combined Reserves as a % of
Revenue**

	8.9%	7.3%	8.9%	10.2%	N/A	9.2%	10.1%	11.0%
General Fund Revenue	\$341,750,240	\$340,558,046	\$348,484,685	\$345,236,232		\$356,307,544	\$370,065,449	\$389,388,329

**Notes on Net General Fund
Carryover:**

CY2009 carryover of \$7.5 million was decreased by \$5.7 million and used to balance CY2010 budget
 CY2010 carryover of \$16 million was decreased by \$13.3 million and used to balance CY2011 budget
 CY2011 carryover of \$22.3 million was decreased by \$13.8 million and used to balance CY2012 budget
 CY2012 carryover of \$22.6 million was decreased by \$11.2 million and used to balance FY2013 budget
 FY2013 carryover of \$26.6 million was decreased by \$22.1 million and used to balance FY2014 budget and for strategic additions and restorations
 FY2014 carryover of \$18 million was decreased by \$13.2 million per budget ordinance that included \$4.3 million transfer to reserves that was used in FY 2015
 FY2015 carryover of \$19 million was decreased by \$14.3 million per ordinance - \$8.3 million transfer to reserves of which \$950 thousand was used in FY2016
 FY2016 projected carryover of \$16.6 million is projected to be decreased to \$5.8 million (1.5% of revenue). \$6.4 million would be transferred to reserves.

Other Notes:

CY2010 included \$8.1 million transfer-in to General Fund from Working Capital Reserve to balance the 2010 budget
 CY2012 included a \$11 million transfer-in from the Convergys settlement to balance the 2012 budget and \$1 million transfer to Working Capital Reserve
 CY2012 included \$6 million estate tax payment received that was later determined not to belong to the City
 FY2013 was a stub year with 6 months and % of revenue not applicable

CITY OF CINCINNATI
IMPACT OF 1% ANNUAL INCREASE BY FUND AND LABOR UNION

Attachment 3

No.	Fund Name	CODE	AFSCME	TRADES	IAFF	FOP	NON-REP	Total Labor Units
GENERAL FUND								
050	GENERAL FUND	223,524	348,214	4,770	687,484	847,620	276,033	2,387,645
RESTRICTED FUNDS								
101	Water Works	124,061	176,190	3,661			46,557	350,468
102	Parking System Facilities	1,500	14,503				2,336	18,339
104	General Aviation	1,848	2,734				2,040	6,622
105	Municipal Golf Activities	792					641	1,433
107	Stormwater Management	5,020	5,344				2,147	12,511
151	Bond Retirement	764	369				1,044	2,176
201	Printing Services/Stores	1,273	1,006				1,004	3,284
202	Fleet Services	6,927	34,185				1,839	42,951
205	Fuel System	746						746
209	Property Management						3,435	3,435
212	Employee Safety and Risk Management	4,491	1,166				1,148	6,805
213	Worker's Compensation	741						741
301	Street Construction, Maintenance and Repair	7,760	48,270	6,023			2,124	64,177
302	Income Tax - Infrastructure	56,839	60,720	8,773			31,360	157,693
304	Community Development Block Grant	2,213	469				16,275	18,957
306	Municipal Motor Vehicle License Tax	3,708	10,708					14,416
318	Sawyer Point	607						607
323	Recreation Special Activities	644						644
326	Park Donations and Special Activity		1,003					1,003
329	Cincinnati Riverfront		455				844	1,299
332	Krohn Conservatory		1,003					1,003
350	Public Health Research	2,880	1,848					4,729
353	Home Health Services	10,511	37,833				9,750	58,094
363	Solid Waste Disposal Control		685					685
381	Cincinnati Abatement Project		1,369				902	2,271
391	Women and Infants Food Grant Program	14,331	9,216					23,547
395	Health Services	4,791	24,884				11,574	41,248
412	Food Service License Fees	781	6,794					7,575
415	Immunization Action Plan	560	1,100					1,660
418	Federal Health Program Income	4,595	10,116					14,710
420	Public Employee Assistance Program	600					915	1,515
425	Heart Health in Hamilton County Project	1,157					786	1,943
446	Health Network	5,054	7,342				1,695	14,091
448	Health Care for the Homeless						1,695	1,695
449	Cincinnati Area Geographic Information System (CAGIS)	11,220					5,833	17,053
457	County Law Enforcement Applied Regionally (CLEAR)	8,488					3,545	12,033
701	Metropolitan Sewer District of Greater Cincinnati	157,722	171,469	1,808			65,250	396,249
702	Regional Computer System	2,075	725				1,250	4,050
711	Risk Management	2,330					1,262	3,592
749	Retirement System	5,330					4,864	10,194
759	Income Tax-Transit						2,164	2,164
792	Forestry	2,747	1,502				1,191	5,440
793	Boulevard Light Energy and Maintenance (BLEM)	746						746
TOTAL RESTRICTED FUNDS		455,852	633,005	20,264	0	0	225,470	1,334,591
TOTAL ALL FUNDS		679,376	981,219	25,034	687,484	847,620	501,503	3,722,236

Fiscal Impact of Proposed 5%/5%/4% COLA by Employee Unit

Employee Unit		FY 2017 5.00% effective 12/4/2016	FY 2018 5.00% effective 7/2/2017	FY 2019 4.00% effective 7/1/2018
AFSCME				
	General Fund	\$1,175,317	\$1,835,436	\$1,541,767
	Restricted Funds	2,120,171	3,310,969	2,781,214
	Subtotal All Funds	\$3,295,489	\$5,146,406	\$4,322,981
Building Trades				
	General Fund	\$5,965	\$24,814	\$20,592
	Restricted Funds	25,342	105,415	87,283
	Subtotal All Funds	\$31,307	\$130,228	\$107,876
CODE				
	General Fund	\$642,311	\$1,149,738	\$1,046,711
	Restricted Funds	1,309,919	2,344,754	2,134,644
	Subtotal All Funds	\$1,952,230	\$3,494,492	\$3,181,354
FOP				
	General Fund	\$3,096,945	\$4,521,847	\$3,798,352
	Restricted Funds			
	Subtotal All Funds	\$3,096,945	\$4,521,847	\$3,798,352
IAFF				
	General Fund	\$870,584	\$3,860,578	\$3,242,886
	Restricted Funds			
	Subtotal All Funds	\$870,584	\$3,860,578	\$3,242,886
Non-Represented				
	General Fund	\$634,588	\$1,435,371	\$1,205,712
	Restricted Funds	518,322	1,172,444	984,853
	Subtotal All Funds	\$1,152,910	\$2,607,815	\$2,190,565
TOTAL		\$10,399,465	\$19,761,366	\$16,844,013

Note: The above assumes that all employee units will receive a total 5.0% COLA in FY 2017 by December 4, 2016, which includes all existing contractually obligated COLAs.